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NEWS DIGEST

Church's names Renaud as new prexy, CEO

SAN ANTONIO, Tex. — Church's Fried Chicken has named Ernest E. Renaud, formerly president of Golden Corral parent Investors Management Corp., to succeed J. David Bamberger as president and chief executive officer.

Bamberger said he would continue as chairman of the board but that Renaud would be responsible for day-to-day operations.

Investors Management, a privately held company in Raleigh, N.C., owns 525 Golden Corral Family Steakhouses.

Kettle board rejects Rocyn's takeover bid

HOUSTON — Kettle Restaurants Inc., the 209-unit coffee shop operator, said its board has rejected an amended takeover offer from Rocyn Corp., a Florida investment group.

Rocyn originally offered $8 a share in cash for the company but had changed its offer to $2 a share in cash and $6 a share in the face amount of five-year promissory notes of Rocyn Corp. The new bid was also subject to several conditions, including the restructuring of debt.

Kettle's board said that the new offer was worth significantly less than the original bid and that the board didn't expect to complete any deal with Rocyn. It also recommended that Kettle shareholders immediately withdraw all shares tendered in connection with the initial bid.

3 Guardian Angels stabbed patrolling NY restaurants

NEW YORK — Three members of the Guardian Angels were stabbed, one critically, while patrolling restaurants under an agreement with operators on Restaurant Row, the theater district's strip of eating places.

Restaurant owners called in the Angels, a controversial group of teen-age volunteers who patrol streets and subways unarmed to curtail neighborhood drug dealing that has been blamed for a decline in business.

Fifteen proprietors put up $300 apiece to cover the initial cost of the patrols. In addition, restaurateurs are providing meals for some 30 Angels and are allowing them use of a closed restaurant as barracks and headquarters.

Pillsbury amends bylaws to curb takeover tries

MINNEAPOLIS — Pillsbury Co., in a move that would make a hostile takeover more difficult to complete, has amended its bylaws to dilute the influence of any investor amassing more than a 20-percent stake in the food conglomerate.

However, the move would not prevent a friendly takeover endorsed by the restaurant operator's board of directors.

The amendment would permit stockholders to buy additional shares at a discount if any investor purchased 20 percent of outstanding shares or tendered an offer that would result in the bidder's ownership of more than 30 percent of Pillsbury's stock.

Wall Street has been rife with unconfirmed reports that several large companies are contemplating an attempt to take over Pillsbury. The concern, which operates Burger King, Bennigan's, and Steak and Ale, is pruning its extensive restaurant holdings in an attempt to reverse declining sales and profits.

Godfather's adds 'Thin' pie after Pizza Hut rolls new one

OMAHA, Neb. — In the wake of Pizza Hut's introduction of Hand-Tossed Traditional Pizza, Godfather's, a 580-unit competitor here, is rolling out its own version of a thinner pie.

The new product, called "Thin" pizza, is thinner and lighter than Godfather's original pie, the chain said. Thin pizza is currently available in 60 percent of the system.

Pizza Hut, the pizza segment leader, has trumpeted the introduction of its new Hand-Tossed pie, which is thinner than its pan pizzas but thicker than the system's traditional pies.

Wendy's licenses unit in Italy to US Navy

DUBLIN, Ohio — The U.S. Navy has secured a license to open and operate a Wendy's unit on its base in Naples, Italy.

The deal marks the first time Wendy's has granted a franchise to any branches of the military. Although Wendy's units are located in Camp Lejeune, N.C., and Iwakuni, Japan, those stores were licensed to local operators.

Maisonette's Comisars buy floating restaurant complex

CINCINNATI — The Comisar family, operator of the famed Maisonette restaurant here, has bought The Islands floating entertainment complex from Richard Schilling, who is retiring.

The Islands, which includes a variety of indoor and outdoor dining areas and a nightclub, is docked on the Ohio River.

Maisonette was among the first restaurants to be inducted into Nation's Restaurants News' Fine Dining Hall of Fame. The restaurant was awarded that honor in 1980.

Servico negotiates takeover by unidentified suitor

WEST PALM BEACH, Fla. — Servico Inc., the hotel and nightclub operator here, said it is negotiating with an unidentified party interested in acquiring the company for an amount exceeding its current stock price.

The suitor is seeking to pay cash, Servico indicated in a printed statement released to the press.

Servico operates the Royce lodging chain, franchised Holiday Inns, and high-volume nightclubs within the hotels.

Houston restaurant fined in warning to illegal hirers

HOUSTON — In what immigration officials said was a warning to other area restaurateurs, government agents have levied a $10,000 fine on Marco's Mexican Restaurant here for allegedly hiring illegal aliens.

The restaurant is believed to be the first in this area to be fined under the landmark 1986 Immigration Reform Act, which requires employers to verify the citizenship of all job applicants to prevent the hiring of illegal aliens.

Marco's owner, Ghulam Bombaywala, accused immigration officials of harassing him by singling out his restaurant.

Ryan's reverses stand against advertising

GREENVILLE, S.C. — Ryan's, the high-volume regional steak-house chain here, is tempering its long-standing aversion to advertising as part of a recently disclosed plan to emphasize sales growth instead of unit expansion, analysts said.

The chain plans to experiment with newspaper and radio advertising to bolster the traffic of units developed in areas where the Ryan's name is not readily recognized.

Throughout its history, Ryan's has eschewed advertising to shunt more money into its signature all-you-can-eat buffet.

The 108-unit chain recently aired plans to cut back on expansion to focus more intently on shoring up the sales of existing units.

Circle K grants license for NY convenience stores

PHOENIX, Ariz. — Circle K, the convenience-store operator, has signed a licensing agreement that calls for the 4,077-unit chain's expansion into New York City.

In its first domestic franchising agreement, the chain has agreed to let The Riese Brothers Organization develop five Circle K units in New York. The first store is scheduled to open in Manhattan by October 1.

Tides are changing for seafood restaurants

Red Lobster expands into Northwest, challenges Sea Galley Stores' market

By Karen Bruno

SEATTLE, Wash. — Red Lobster USA, the seafood giant, is taking on 48-unit Sea Galley Stores in an aggressive expansion drive into the Northwest.

Red Lobster's first unit will open here this summer with "multiple" units planned, said Dick Monroe, a spokesperson for the 400-unit, Orlando, Fla.-based Red Lobster. "We will be a force in the Northwest. We're looking at sites in all the major markets up there," he said.

Officials at the Mountlake Terrace, Wash.-based Sea Galley are undaunted by the onslaught. The chain, which has rebounded from several quarters of losses, operates 23 units in its home market here.

"We've been here 13 years and are familiar with this market—it's our core market," said Lawrence Crowe, vice president, treasurer, and chief financial officer of Sea Galley. "Red Lobster will be a major factor, however," he said.

'We will be a force in the Northwest. We're looking at sites in all the major markets up there,' said Monroe, a spokesman for Red Lobster.

Local operators are lining up to watch the fight, with several saying that Red Lobster may find the Northwest a challenge.

"There has always been a lot of seafood up here. People up here catch it, buy it, see it, and understand it," said Keith Dean, vice president of Pacific Coast Restaurants Merchants, Ltd., which operates five seafood restaurants in Portland, Ore., with a sixth opening in Seattle this month.

"Red Lobster will find that the Northwest customer is a lot more sophisticated about seafood than customers in other parts of the country," said another operator who did not wish to be identified. "There is a strong regional bias up here, and Red Lobster will be perceived as an outsider."

Red Lobster and Sea Galley both feature a moderate-priced menu of predominantly deep-fried and baked seafood, burgers and pasta. Per-person average checks are about $4.50 for lunch and $11 for dinner, including liquor.

As with other operators in the beleaguered dinner house segment, both chains are strongly oriented toward the value-conscious customer. Red Lobster has a variety of seasonal promotions, and Sea Galley promotes its all-you-can-eat salad bar, which is included in the price of a dinner entrée.

In addition, both chains are seeking to boost lunch traffic. Red Lobster started an express lunch program last year which has boosted traffic, and Sea Galley is going after the same customer with a $2.99 midday menu.

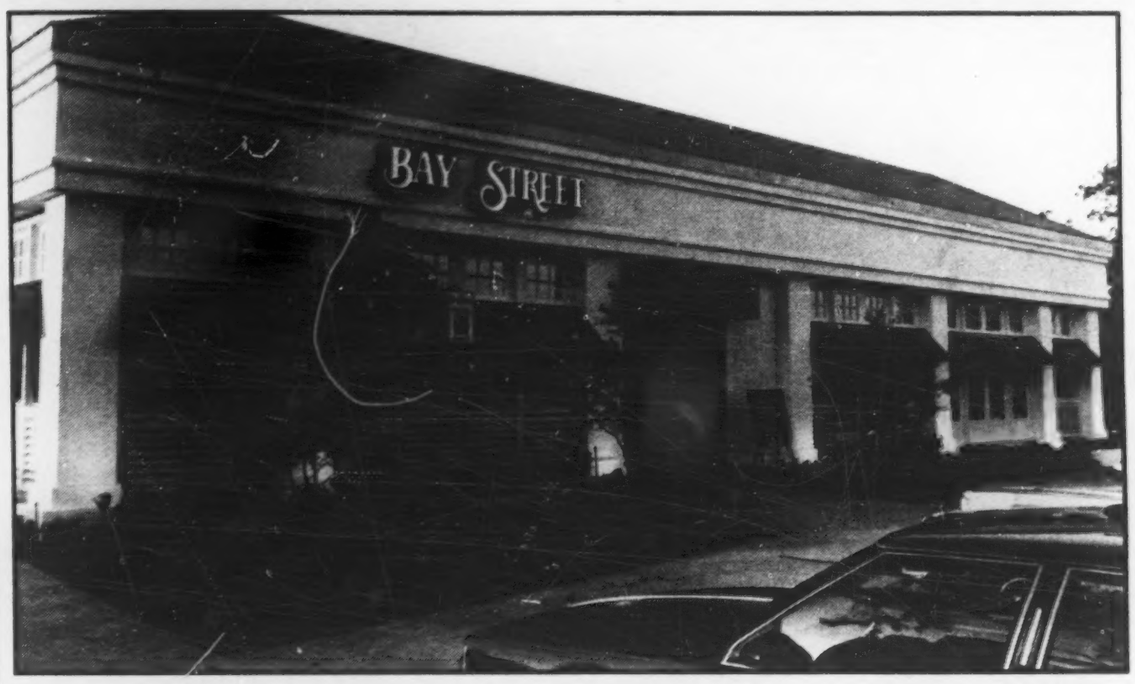
After revising its menu in 1985 to appeal to a more upscale customer, a move that led to a drop in traffic and losses of $3.5 million in 1986, Sea Galley seems to have regained its core customer base.

The operator posted earnings of $522,000 in 1987 and, in the first quarter of 1988, same-store food sales are up 2.4 percent, according to Crowe, although a decline in liquor consumption resulted in a net increase of one percent. Meanwhile, Red Lobster, the nation's largest seafood chain, is expected to pass $1 billion in sales this year.

The chain acquired the 28-unit, Lakewood, Calif.-based Seafood Broiler Restaurants last year, a move that has strategic importance.

"The Far West expansion opens up a network feed for us," said Monroe. Red Lobster now has 38 units in California. Commercials for Red Lobster are already running on cable television in the Northwest.

Although Red Lobster does not plan any menu changes upon entering the Northwest, it is tinkering with its core menu in Southern California by "keeping the best of the Seafood Broiler menu while adding some of our own menu," said Monroe. The chain is adding lobster tanks to these units as well.



A Bay Street unit in Texas.

S&A shuts its Atlanta Bay Street units, attempts to spin off two other locations

By Jack Hayes

ATLANTA — S&A Restaurant Corp. has closed its two Bay Street seafood dinner houses here and is attempting to sell its Bay Street units in Hollywood, Fla., and northern Dallas.

S&A senior vice president Alan Palmieri, who will become president of the Bay Street chain on July 1, when a leveraged buyout is scheduled to be completed, said the deal calls for the sale of 12 of the original 16 restaurants.

'Atlanta is the Bay Street kind of town. Unfortunately, we didn't have the locations,' admitted S & A's Palmieri, who said he'd like to re-enter the market in 2 or 3 years.

Included in the Bay Street buy out are five Texas units—in Addison, Bedford, North and South Arlington, and Plano; three Chicago restaurants; two other south Florida units; and one each in Metuchen, N.J., and Philadelphia.

"Atlanta is a Bay Street kind of town. Unfortunately, we didn't have the locations," admitted Palmieri, who said he'd like to re-enter this market in two or three years near Cumberland or Lenox Mall.

Both Atlanta units were in the city's upscale northside near Dunwoody, but neither one had adequate visibility or traffic.

Market observers said the Bay Street units averaged $20,000 a week in sales—less than half their potential.

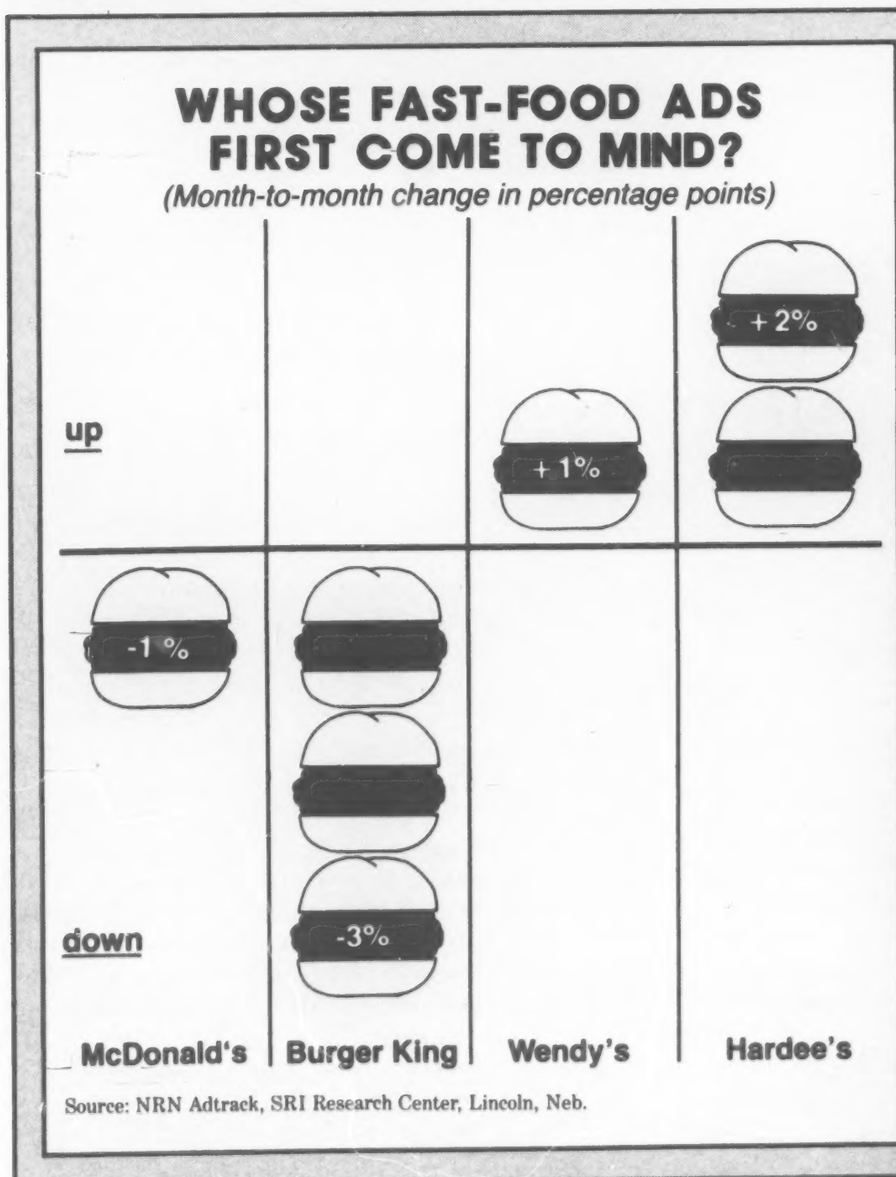
"The first thing we'll do is begin growing Bay Street in the Northeast," added Palmieri. He said several sites are under consideration in New Jersey and on Long Island, N.Y.

Palmieri has appointed a new chief financial officer, Mike Chockey, and named Chuck Sparks and Bill Shannon as Bay Street regional managers with six restaurants each.

Jeff Willison will direct Bay Street's purchasing, and Diane Wessel will head human resources. "It's a small, lean team, but we're alive and well," said Palmieri.

Most of Bay Street's Atlanta market staff have been hired by other S&A properties here.

"It's a somber feeling on my part having to leave a good market like Atlanta, but I will be back," promised Palmieri.



Source: NRN Adtrack, SRI Research Center, Lincoln, Neb.

McD and BK suffer declines in ad awareness, poll shows

By Bill Carlino

LINCOLN, Neb. — After registering significant April increases in consumer advertising awareness, fast-food giants McDonald's and Burger King suffered declines in ad recall of five and three percentage points, respectively, in the Nation's Restaurant News Adtrack poll for May.

NRN Adtrack

The exclusive survey measures the effectiveness of fast-food advertising by determining which ads are most readily recalled by polled consumers.

McDonald's, whose advertising was recalled by 46 percent of the respondents surveyed during April, garnered 41 percent in May.

Burger King, whose "Backyard Frying Pan" television spots hiked the chain's consumer ad awareness by four percentage points in April, lost three points in May, with a rating of 13 percent.

"Our national television and print promotions were basically in hiatus after the first week in May," said a Burger King account supervisor for N.W. Ayer of New York. "Remainder of the month was devoted to regional programming which concentrated more on area promotions."

McDonald's account representatives at Chicago's Leo Burnett Agency declined comment on the reason for the company's May percentage drop.

N.W. Ayer said it plans to include Alf, the sarcastic alien from the popular NBC sitcom as part of a national in-store promotion later this month, while a proposed breakfast campaign may hit the airwaves in July.

In the NRN poll, SRI Research Center Inc. here asked a representative sample of 1,000 consumers across the country, "Of all the fast-food advertising you have read, seen, or heard in the last month, which advertising comes to mind?"

After two consecutive months of declining advertising awareness, Wendy's showcased its first increase since March with a gain of one percent. Hardee's, which slipped two percentage points in April, rebounded with a two percent increase for a total of five percent of those surveyed.

FOCUS | VIEWPOINT

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Financing capital needs: beware of debt

Food-service operators are more vulnerable than ever to market conditions in trying to raise capital.

Last October's stock market crash and subsequent uncertainties have made public offerings highly dubious as a means of financing expansion. This has left the alternatives of bank loans or other methods—all of which increase company debt and interest payments.

One example is Jacksonville, Fla.-based Family Steak Houses of Florida, a franchisee operator of 17 Ryan's steak houses. Anxious to keep growing, founder-president Eddie Ervin was set last fall for a $14 million stock offering when the crash hit. He turned to his local bank and obtained a $14 million credit line to finance some five new units.

Ervin's interest payments total over $1 million a year, but he sees it as a small price to pay. He has a respectable balance sheet and figures he can eliminate the debt with a public offering when the stock market finally straightens out.

This type of thinking, far from atypical in fueling expansion growth, can mortgage off a company's future. Ervin and others might be wise to curtail their expansion and concentrate on enhancing existing units, which in his case are doing at least $1.5 million in average annual sales.

We have already seen the consequences of leveraged buyouts, which pile up huge debts that are hard to erase. Denny's accumulated over $500 million in debt when it went private a few years ago, and its capacity to innovate and grow was severely crippled.

ARA Services had to implement a second-stage bonds offering after its LBO five years ago, and there still is debate about whether ARA's going private was a wise move.

Another type of debt-ridden purchase occurred recently when Restaurant Associates chairman Martin Brody, in a deal unrelated to RA's January management LBO, led a small group in a purchase of Pillsbury's Bay Street seafood restaurants.

Rocky Rococo, a 120-unit Wisconsin-based regional chain which once had national aspirations, eschewed potential expansion financing from regional bankers a few years ago. Instead, it moved too fast and obtained extensive capital from the Pasadesna (Calif.) Storage Company.

Rococo failed to bring in strong enough management to run a wider-ranging operation and faltered in its goals. The net result was that while remaining an effective regional chain, it in effect lost the bulk of its business to the Pasadena Storage Company, which is not really a food-service company.

The pitfalls of accumulating debt and yielding equity are immense. But publicly owned food-service chains face an extra-tough road in financing their capital needs. Restaurant stocks have generally lost value since last October and are not one of the favored categories on Wall Street. It has become difficult, if not impossible, to implement effective stock offerings under these conditions.

If a public company has an excellent balance sheet and a healthy profit, it can finance expansion needs through cash flow. Yet many companies still turn to junk bonds, an innovative approach but one requiring a premium and wrought with risk.

Private companies are going to investor and venture capital groups or corporations to help finance expansion. But these companies are yielding too much equity in return for the financing.

Another method being utilized is to let real estate partners in each restaurant spend the money for land, building, and equipment. This has certain tax advantages but gives up equity in each restaurant.

A final alternative is simply to be acquired. Chains which opt for this "solution" usually discover that their own entrepreneurship and management are submerged or eliminated.

No matter how anyone figures it, assuming more debt dilutes finances and efforts. This is a perfect time for food-service operators to walk away from these financing "opportunities" and concentrate on getting their restaurants into stronger shape, to improve their balance sheet rather than clutter it with more loans and debts.

The smartest strategy for most operators today is to concentrate on managing for profits by obtaining more labor efficiencies, sharper marketing, and a tighter focus on basics like training and sanitation. This means being willing to curb growth and "wait until next year" when stock equity markets may loosen up.

LETTERS

Wendy's takes issue with NRN coverage

Editor, NRN:

In recent issues of Nation's Restaurant News (May 2, May 16, and May 23), the Letters section has contained viewpoints from industry leaders who have disagreed with NRN's penchant for exaggerated headlines and story angles. Add our name to the growing list of readers who feel sensational headlines are better suited for supermarket tabloids than the leading food-service industry journal.

Because Wendy's International is one of the largest restaurant chains in the world, we expect to see our name appear in various stories in NRN. And we expect to receive our share of good and bad coverage. However, we do not appreciate editorial attempts to misstate or overdramatize headlines.

The April 25th issue of NRN carries a story titled, "The Death of the Salad Bar," and details the growth of prepackaged salads in the fast-food industry. Granted, the recent popularity of prepackaged salads has helped sales at those chains offering it. But its relative newness as a menu item hardly justifies the burial of the traditional salad bar.

In the May 9 issue, NRN ran this front page headline: "Wendy's Shareholders Assail Hamburger 'A' Ad Campaign." The corresponding story reports that the advertising campaign "came under attack from rank and file shareholders at the company's annual meeting . . ."

Presently, Wendy's International has 140,000 shareholders worldwide. Between 75-100 shareholders were present at the annual meeting. NRN's story said about one-half of the attendees raised their hand when asked if they did not like the Hamburger 'A' ads.

That number represents 0.03 percent of all Wendy's shareholders.

Readers of Nation's Restaurant News have a right to assume that when an NRN reporter covers a company's annual meeting, that reporter is accurately covering the major issues that occurred during the meeting. After the May 9 headline and lead paragraph about the Wendy's annual meeting, readers could assume that Wendy's ads were the major issue discussed. That assumption could not be farther from the truth.

The meeting focused on a discussion of the steps Wendy's has taken to reverse negative sales trends in 1987 and produce positive net sales gains in the past two quarters. The major news was Wendy's $10 million turnaround in the first quarter, ending April 3, versus the first quarter of 1987. Specifically, Wendy's posted a $3.5 million profit vs. a $6.8 million loss last year.

We do not feel the industry is served well by a trade publication that sensationalizes the news. We strongly implore Nation's Restaurant News to return to the solid responsible journalism, from storyline to headline.

Denny Lynch
vice president, communications
Wendy's International
Dublin, Ohio

Employee theft plagues food-service industry

Editor's Note: The following letter refers to Charles Bernstein's April 11th Editor's Corner column in which he castigated a Chicago Midway Airport restaurant for firing a young employee who had given Mayor Eugene Sawyer a free sandwich after Sawyer had offered to pay for it. The column ran under the headline: "Insensitivity: labor crisis in Chicago."

Editor, NRN:

A major problem plaguing the food-service industry has always been employee theft.

This theft takes many forms: food and beverages out the back door; free drinks to friends; sandwiches given away to politicians. None of the above should be tolerated.

It is particularly distressing when the editor of our industry's major journal expresses a view that is soft on employee theft.

—William J. Gudenau
president
Select Hotel Management
Ann Arbor, Mich.

Nation's Restaurant News welcomes concise letters on timely topics. Send letters to The Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y., 10022. Letters may be condensed for reasons of space or clarity.

NY's Telephone Bar & Grill 'calls' in patrons

By Ken Frydman

NEW YORK — As restaurant concept gimmicks go, this one isn't bad.

Three bright red British "call boxes" and a London cab with liveried chauffeur front the Telephone Bar & Grill at 10th Street and Second Avenue.

The call boxes and cab serve as more than mere props; the phones were rewired to Ma Bell standards and hooked into the 212 area code while the stylish sedan is used as the bar-restaurant's house car.

The imported call boxes and sedan add a novel and refined air to an otherwise casual-theme restaurant.

Preferred customers are picked up and delivered via sedan to Telephone, where they can place phone calls in sophisticated silence. At the end of the evening, they're shuttled home in comfort.

Co-owners Abe Lebewohl and Rudy Mosny bought the call boxes at auction in Plymouth, England, where they had been in service for 50 years.

Then they shipped the call boxes back to the States and stationed the sentinels at the entrance to their new restaurant—like the Beefeaters, who guard Buckingham Palace.

NRN Photo

Vincent Sardi, former owner of Sardi's restaurant in New York, and his wife make a 'call' in a phone box at Telephone.

The site had previously housed Pier Nine, a Thai-inspired seafood restaurant that has since relocated up the avenue.

Mother country influence carries through inside the spacious pre-1900 brownstone, which boasts an antique tin ceiling, plank flooring, and mix-and-match tavern furniture.

Three life-sized trompe l'oeil murals depict early European telephone sets hidden in trees or flying toward the sun.

The 40-foot mahogany and marble bar, reminiscent of pre-Prohibition watering holes, features English drafts, American beers, and Woodpecker cider, an apple-based alcoholic drink now popular in England.

Half-pints of beer run $2; full pints, $4.

A planned book-lined library room annex will complete the campus pub look described by Lebewohl as "a cross between P.J. Clarke's amd Elaine's, an American Bar & Grill with British overtones."

Quite predictably, chef Joel Fuenmayer—formerly of the SoHo Charcuterie—prepares Stilton Cheese Fritters; Windsor and Scotch Eggs; Fish & Chips wrapped in The New York Times; Alexander Graham Bell's "Telephone Meatloaf"; Bangers and Mashed; and Cheshire, Chicken, and Shepherd's pies.

Appetizers range from $3.50 to $5; entrées, from $7 to $17.75 for the New York sirloin steak.

Highlighting the dessert list is rice pudding "21," made from the "21" Club's original recipe. The dish was discontinued when "21" was revamped last year.

Telephone serves lunch, dinner, and supper every day from 11:30 a.m. until 2 a.m., later on weekends. Weekend brunch features other traditional English favorites, such as Irish salmon, kippers, blood sausage, and Irish bacon. American standards, such as hashes, omelets, and filled pancakes are also available.

Competition could prove a sticky wicket for Telephone. For 34 years Lebewohl has owned the Second Avenue Deli, directly across Second Avenue from Telephone. But Lebewohl is not afraid.

"We don't anticipate competing for the same customers," he said. "The Second Avenue Deli serves Jewish food, and Telephone serves British food. They're completely different."

Sysco agrees to buy CFS

(Continued from page 1)

noting that the two companies significantly overlap in only about six markets. "It really makes Sysco national and more cost efficient. They will have a dominant presence in most markets."

The merger also more than doubles Sysco's size in fast-food distribution, an area where CFS is particularly strong.

"It strengthens us in fast food," Lowrey said. "We're gambling $700 million that it will help us."

In recent years, Sysco has dedicated itself to supplying high-volume quick-serve chain accounts through its fast-growing SYGMA division but has been only marginally successful, said analyst Murren.

Nonetheless, multi-unit business accounted for about 25 percent of Sysco's $3.7 billion in fiscal 1987 revenues, Lowrey said.

In increasing its share of the $100 billion food-service distribution market to 7 percent from about 4 percent, Sysco outbid several other companies with distribution interests, according to widespread industry reports that named No. 2 Kraft and No. 4 PYA/Monarch parent Sara Lee Corp. Morgan Stanley, the investment banker for Tate & Lyle, refused to disclose the identity of other suitors.

Sysco plans to sell CFS Continental's manufacturing segments, which produce products such as coffee and detergents, Lowrey said, but has not made any decisions on HAVI, the CFS division that provides McDonald's with shortening and hamburger buns.

"I think there's better than a 50-percent chance they'll sell it [HAVI]," said analyst Clinton Mayer III of Bear Stearns, New York. "They've indicated in the past that they didn't want to get into bed with McDonald's."

Together, HAVI and the manufacturing division could fetch between $250 million and $350 million, Lowrey said.

By unloading both businesses, the company could defray some of the heavy debt load it will assume through the $700 million cash acquisition. Sysco plans initially to finance the deal through a revolving credit agreement but may subsequently issue long-term debt or sell some equity.

The Sysco/CFS combination is the latest deal in the wave of consolidation that has swept the distribution industry. Between 1982 and 1987, the top five distributors alone acquired 89 distribution companies, according to Technomic Inc. During that period, two-thirds of those companies' growth came through acquisition.

"It's cheaper to acquire market share than to build it," Murren said. "It's easier to merge in this industry because you're buying accounts, sales forces and capacity."

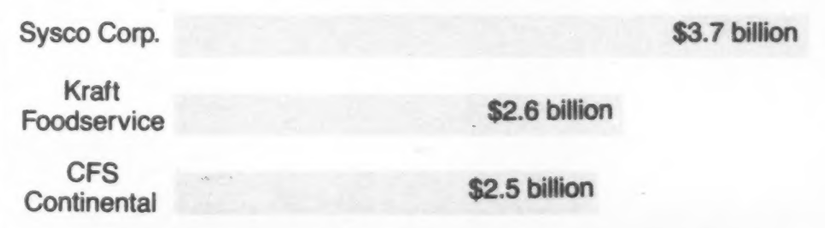
How much effect the pairing of Sysco and CFS will have on the distribution industry as a whole remains to be seen. Despite the publicity and attention that surrounds the full-line super-distributors, food-service distribution remains a highly fragmented industry dominated by smaller companies. Collectively, the top five players, (including CFS), control only about 12 percent of the market.

"It's still a local business; I don't think changes will be that dramatic," said Technomic president Ron Paul. "But I think it's going to force the other super-distributors to rethink their strategies. It certainly raises the stakes of the distribution business for Kraft, which is now a distant No. 2."

Kraft, which would not comment on whether it was involved in the bidding for CFS, did not indicate any immediate response to the merger.

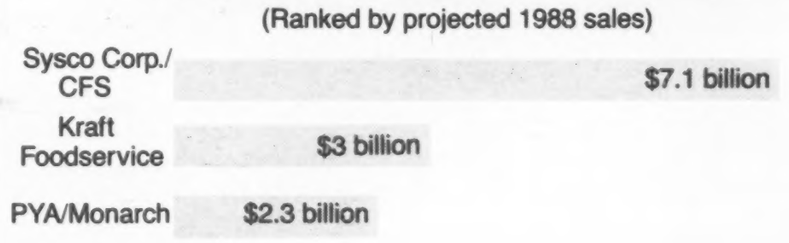
TOP THREE FOOD-SERVICE DISTRIBUTORS PRIOR TO PROPOSED SYSCO/CFS MERGER

(Ranked by 1987 sales)



TOP THREE FOOD-SERVICE DISTRIBUTORS IF SYSCO/CFS DEAL IS COMPLETED

(Ranked by projected 1988 sales)



Source: NRN Research

Ponderosa tests products

(Continued from page 1)

Cedar Rapids, Iowa; and Louisville, Ky.

It indicated that the new and upgraded food programs are designed to remove barriers to repeat visits and to bring in new customers as well. The chain is considering an expansion of the tests.

"We're interested in that quality improvement," said Diamond, who added that the restaurant industry over the past 10 years has been following a "quality trend."

Ponderosa still, however, intends to target families. Diamond said families' interest in "value" issues "cuts across a lot of demographic strata."

The chain recently adjusted its advertising theme line from "You get a family feeling at Ponderosa" to "We know the value of a good family meal." And new commercials from Lowe Marschalk Inc. also proclaim: "There's a whole new Ponderosa at Ponderosa."

Among the new spots is one for a $5.99 all-you-can-eat dinner Monday through Thursday. The deal included a free kids' meal for those under 10.

A new television-supported promotion features $4.99 charbroiled chicken dinners, with a choice of Western barbecue, chicken Creole, chicken Parmesan, and Hawaiian chicken.

Diamond said that most of the more than $20 million it spends on advertising in a year will go toward television. He said the chain is "tabling" the use of radio until it decides whether it "makes good sense for our future plans." He added, "There's no substitute for TV in most cases." The chain has typically spent more than $1 million a year on radio.

Metromedia Co. acquired Ponderosa earlier this year from New York investor Asher B. Edelman, who in turn had purchased the chain only a year before. Frank Holdraker, an alumni of Pizza Hut, retained his job as president and ceo.

Diamond, who had been working as a consultant for Ponderosa, said Metromedia's Kluge "brings financial strength and substance" to a chain that has recently had many ups and downs. He said the "total package" was something "I didn't want to miss." He joined the corporate ranks as chief marketing executive in mid-April.

"He [Kluge] doesn't intend for Ponderosa to be a failure," said Diamond, who noted that Kluge has brought "a lot" of equity to the chain. The purchase price has never been disclosed. Edelman had bought Ponderosa for $278 million.

Diamond said, "dramatic growth is in the cards" for Ponderosa and that the expansion would be domestic. A large concentration of Ponderosas are in the nation's heartland.

Although he'd been on his own as a consultant for more than six years, Diamond's background includes stints with several food-service chains, including Wendy's International, where he was senior vice president of marketing in 1980 and 1981, and Arby's, where from 1977 to 1980 he was president and ceo of its franchise association.

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New era dawns for distribution
Focus section follows page 28

Motown restaurants call their own tunes
Focus pages F22-F24

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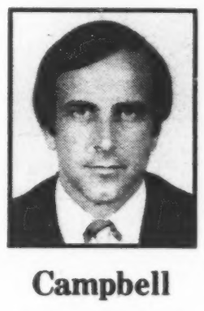
Pillsbury shuffles restaurant group

Campbell, Craig exits spark dismantling

By Peter J. Romeo

MINNEAPOLIS — Pillsbury Co. has realigned top-level management of its beleaguered food-service empire following the resignations of restaurant group chairman J. Jeffrey Campbell and key lieutenant Kyle Craig.

Dismantling the centralized administration built by Campbell during his 13-month reign, Pillsbury has divided his and Craig's duties among three men stationed in three different offices.



Campbell

Craig

"The restaurant group does not exist anymore as a corporate entity," a Pillsbury spokesman said.

Jerry Levin, 44, Pillsbury's executive vice president of corporate development and a reputed deal maker, has been tapped to succeed Craig as chairman of S&A Restaurant Corp., the restaurant group's Dallas-based dinner-house business. He has no prior experience in the restaurant field, the Pillsbury spokesman said.

Unlike Craig, Levin reports directly to corporate chairman William Spoor. Craig's imme-

*(See **PILLSBURY**, page 4)*

NRN Photo

Tony Mantuano, left, Levy Restaurants' executive chef, and Eurasia chef Stewart Parsons, right, cook at Eurasia.

East, West cuisines meet in Chicago

By Carolyn Walkup

CHICAGO — Cuisines of the Orient and the West are intertwining in two new restaurants here to produce an exciting fusion of flavors.

The Levy Restaurants is touting its new Eurasia as "a new culinary continent." Jacques Barbier and chef Daniel Kelch opened Le Mikado quietly a few weeks earlier. Kelch, ironically, had consulted with the Levy group about Eurasia before joining forces with Barbier.

The Western representation of Eurasia is more American than European, while France is more clearly the occidental influence of Le Mikado. The Eastern tastes at both draw from a variety of countries, including China, Japan, Thailand, Vietnam, Korea, and, to a lesser extent, Malaysia, the Philippines, and India.

Eurasia and Le Mikado are among the newest restau-

*(See **EAST MEETS WEST**, page 84)*

NRN survey: Tips beat service charges 5-to-1

By Joe Edwards

By a 5-to-1 margin, Nation's Restaurant News readers said in an NRN Hot Line survey that they favor tipping over mandatory service charges.

And the outspoken, protipping forces suggested that to think otherwise is downright un-American.

"I believe American customers should have the choice of how much they decide to leave, based on service that they received," declared John Newcomb, a Chicago restaurant manager.

Bush or Dukakis? Cast your vote Call NRN's Hot Line
Page 84

Another reader, who said he has 40 years in food service, said he would be "bitterly against" mandatory service charges.

"There has not been so much initiative left in people of this nation today, and I think you would help destroy what

*(See **TIPS**, page 84)*

FOOD WATCH

NEW YORK — Mix an East River view, a fireworks show, and a $40-per-person dinner featuring a "Star Spangled Sundae" and an "All-American Chocolate Cake," and you've got an Independence Day dinner at the Star Fish Grill in the South Street Seaport here.

Revelers dined on two-tomato salad (plum and sun-dried), oysters on the half-shell, cold stuffed lobster, and grilled veal chops while they gaped at fireworks exploding over the harbor. Meanwhile, the 130-seat Boardwalk Cafe served lobster roll sandwiches, New England clam chowder, fried calamari platters, and New York cheesecake.

Both places are part of Caroline's, the complex owned by Caroline Hirsch that includes a comedy club. —**Ken Frydman**

Democrats back away from plan for $5.05 hourly wage

By Ken Rankin

WASHINGTON — Congressional Democrats have scaled back their demands for a stiff 50-percent hike in the minimum wage and are now pressing for a more modest increase to $4.55 per hour by 1991.

But opponents of a rising national pay floor are seeking further concessions in exchange for enactment of a minimum-wage law this year.

Under the new plan, the present $3.35 wage rate would climb to $3.75 at the beginning of next year, to $4.15 in 1990, and to $4.55 in 1991. The original Kennedy-Hawkins bill called for a three-step increase to $4.65 in 1991. The new plan abandons the fourth annual increase, to $5.05 in 1992, which was added to the original bill.

It is "outrageous" to call the new $4.55 proposal a "compromise," Richard Berman, director of the Minimum Wage Co-

*(See **DEMOCRATS**, page 84)*

CHARLES BERNSTEIN ON EXEC PERILS: NOBODY WALKS ON WATER — Page F3